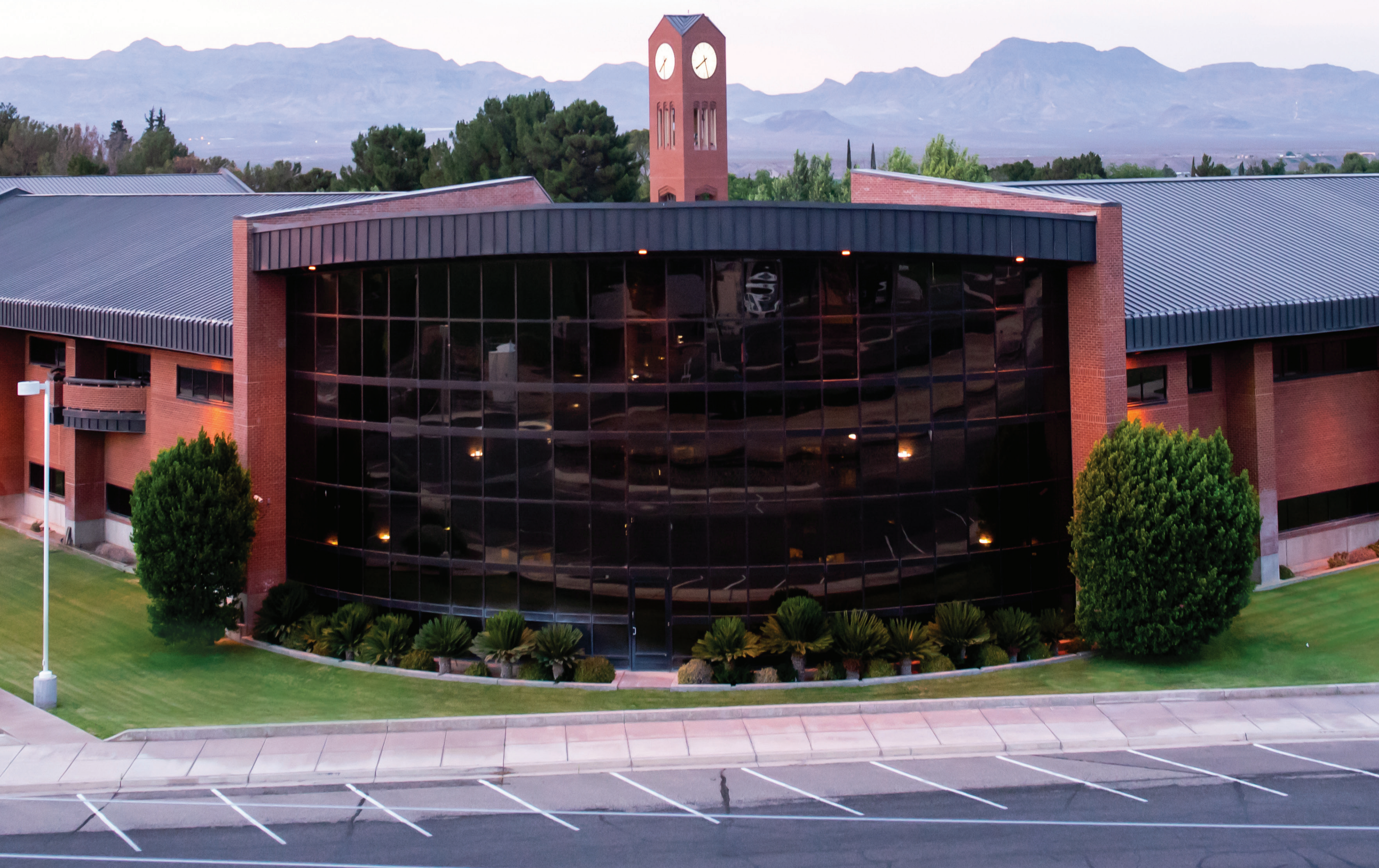
EASTERN ARIZONA COLLEGE

Graham County Community College District

Annual Financial Report

June 30, 2020



Graham County
Community College District
(Eastern Arizona College)
Annual Financial and Single Audit Reports
June 30, 2020

Graham County Community College District
(Eastern Arizona College)
Annual Financial and Single Audit Reports
Year ended June 30, 2020

Table of Contents

Annual Financial Report Section

Independent Auditors' Report 2

Required Supplementary Information – Management's Discussion and Analysis 5

Statement of Net Position - Primary Government 10

Statement of Financial Position - Component Unit 11

Statement of Revenues, Expenses, and Changes in Net Position – Primary Government 12

Statement of Activities - Component Unit 13

Statement of Cash Flows - Primary Government 14

Notes to Financial Statements 16

Other Required Supplementary Information

Schedule of the District's Proportionate Share of the Net Pension Liability 32

Schedule of the District's Pension Contributions 33

Supplementary Information

Schedule of Expenditures of Federal Awards 35

Single Audit Section

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with *Government Auditing Standards* 38

Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance 40

Schedule of Findings and Questioned Costs

Summary of Auditors' Results 42

District Responses

Summary Schedule of Prior Audit Findings 43

Graham County
Community College District
(Eastern Arizona College)
Annual Financial Report
June 30, 2020

LINDSEY A. PERRY
AUDITOR GENERAL

ARIZONA
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

Independent auditors' report

Members of the Arizona State Legislature

The Governing Board of
Graham County Community College District

Report on the financial statements

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of the Graham County Community College District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the other auditors' report. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The other auditors did not audit the discretely presented component unit's financial statements in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit of the District as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of matter

As discussed in Note 2 to the financial statements, the District restated beginning net position of its financial statements for the year ended June 30, 2020, to correct a misstatement in its previously issued financial statements. Our opinion is not modified with respect to this matter.

Other matters

Required supplementary information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 5 through 9, schedule of the District's proportionate share of the net pension liability on page 32, and schedule of District pension contributions on page 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary information—schedule of expenditures of federal awards

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is management's responsibility and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Lindsey A. Perry

Lindsey A. Perry, CPA, CFE
Auditor General

April 29, 2021

(This page is left intentionally blank)

Management's Discussion and Analysis

This discussion and analysis of the District's financial performance provides an overview of the District's financial activities for the year ended June 30, 2020. Please read it in conjunction with the District's basic financial statements, which immediately follow.

Basic Financial Statements:

The District's financial statements are presented in accordance with standards established by the Governmental Accounting Standards Board (GASB), the authoritative body for establishing U.S. Generally Accepted Accounting Principles (GAAP) for state and local governments, including public institutions of higher education. These standards permit public colleges and universities to use the guidance for special-purpose governments engaged in business-type activities in their separately issued financial statements. As such, the reader will observe that the presentation is a consolidated, single-column, entity-wide format, similar to the type of financial statements one might encounter from a typical business enterprise. The basic financial statements consist of the following:

The *Statement of Net Position* reflects the financial position of the District at June 30, 2020. It shows the various assets that are owned by the District, deferred outflows of resources, liabilities, deferred inflows of resources, and the various categories of net position. Net position is an accounting concept defined as total assets and deferred outflows of resources less total liabilities and deferred inflows of resources, and as such, represents institutional equity or ownership in the total assets of the District.

The *Statement of Revenues, Expenses, and Changes in Net Position* reflects the results of operations and other changes for the year ended June 30, 2020. It shows the various revenues and expenses, both operating and nonoperating, reconciling the beginning net position amount to the ending net position amount, which is shown on the *Statement of Net Position* described above.

The *Statement of Cash Flows* reflects the inflows and outflows of cash and cash equivalents for the year ended June 30, 2020. It shows the various cash activities by type, reconciling the beginning cash and cash equivalents amount to the ending cash and cash equivalents amount, which is shown on the *Statement of Net Position* described above. In addition, this statement reconciles cash flows from operating activities to an operating loss on the *Statement of Revenues, Expenses, and Changes in Net Position* described above.

Financial Highlights and Analysis:

Consistent with its mission to prepare individuals to thrive through innovative educational programs, instruction is the primary function of the Graham County Community College District. Major funding sources supporting all functions include property taxes, state appropriations, government grants and contracts, and tuition and fees. The District exercises primary tax levy authority for generation of funds used for operations and capital equipment. The District continues to consider all ways to most efficiently allocate resources.

Condensed Financial Information:

The condensed financial information on the following page highlights the main categories of the *Statement of*

Net Position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Significant variances in assets and liabilities are presented below.

Condensed Schedule of Net Position
As of June 30, 2020 and June 30, 2019

	2020	2019	% Change
Assets:			
Current assets	$ 36,999,980	$ 32,382,777	14%
Noncurrent assets			
Capital assets, net	35,601,199	35,017,500	2%
Total assets	**72,601,179**	**67,400,277**	8%
Deferred Outflows of Resources	2,714,088	3,610,458	-25%
Liabilities:			
Other liabilities	2,579,953	2,093,734	23%
Long-term liabilities	28,893,790	29,567,103	-2%
Total liabilities	**31,473,743**	**31,660,837**	-1%
Deferred Inflows of Resources	3,108,923	4,140,522	-25%
Net Position:			
Net investment in capital assets	35,601,199	35,017,500	2%
Restricted net position	1,907,671	2,317,457	-18%
Unrestricted net position	3,223,731	(2,125,581)	252%
Total net position	**$ 40,732,601**	**$ 35,209,376**	16%

The District restated the fiscal year ended June 30, 2019 other liabilities and unrestricted net position balances because of a correction of misstatement for a prior period adjustment. See Note 2 for additional information.

Financial Highlights and Analysis

Statement of Net Position:

The total net position for Graham County Community College District increased by $5,523,225, or 16%, from the prior fiscal year due to the District's revenues exceeding expenses. As a result, the District's total assets increased by $5,200,902 or 8%, and total liabilities decreased by $187,094, or 1%. The increase to net position was also affected by a decrease in both deferred outflows and inflows of resources, as discussed below.

The District's current assets increased by $4,617,203, or 14%, from the prior year. This increase was primarily due to an increase in cash of $4,978,209, or 17% and partially offset by a decrease in receivables and investments of $369,643, or 13%. For the second year in a row, the District recognized an increase in cash and investments. The improvement in cash and investments was primarily due to an increase in state appropriations of $2,399,600 and an increase in accounts payable of $273,560. The increase in cash and investments was also due to an increase in revenues with a corresponding decrease in expenses. The change in revenues and expenses are further discussed in the next section. While the strategic cash position of the District has improved and is healthy, there is continued acknowledgement of a need to find ways to increase revenues and reduce expenses to continue this trend while also properly maintaining properties, facilities, and other resources.

The majority of the increase in current assets, as discussed above, is attributed to an increase in cash of $4,978,209, a 17% increase. Additionally, there was a decrease of receivables of $458,702 primarily as a result of changes to the Gila County Provisional Community College District contract. There were also other grants and contracts with nominal receivable changes.

Deferred outflows of resources decreased by $896,370, or 25% due to a decrease in the net difference between expected and actual earnings on pension plan investments and changes in assumptions. The deferred outflows of resources amount is comprised of contributions related to the ASRS that have not yet been recognized as a reduction of the net pension liability and the net difference between projected and actual earnings on pension plan investments that have not yet been recognized as an expense.

As previously mentioned, total liabilities decreased by 1% with other liabilities increasing by 23%, and long-term liabilities decreasing by 2%. The increase of 23% in other liabilities, or $486,219, is mostly attributed to accounts payable of $273,560 and deposits held in custody for others of $434,204. These increases were partially offset by decreases in insurance claims payable of $226,607.

The 2% decrease in long-term liabilities amounted to a $673,313 decrease. Within this category, compensated absences payable decreased by $82,695, while the institution's net pension liability with ASRS decreased by $590,618, or 2%.

Deferred inflows of resources decreased by $1,031,599. This 25% decrease is a result of differences between the expected and actual pension experience and changes of assumptions or other inputs as of June 30, 2019.

More details on assets, deferred outflows of resources, liabilities, and deferred inflows of resources can be found on the *Statement of Net Position*, as well as accompanying notes.

The condensed financial information on the following page highlights the main categories of the *Statement of Revenues, Expenses, and Changes in Net Position*.

Condensed Schedule of Changes in Revenues, Expenses, and Net Position
For the Years Ended June 30, 2020 and 2019

Operating revenues:	2020	2019	% Change
Tuition and fees, net of scholarship allowances	$ 3,500,336	$ 3,352,762	4%
Government contracts	6,262,969	6,477,044	-3%
Other	1,078,246	1,000,855	8%
Total operating revenues	**10,841,551**	**10,830,661**	0%
Nonoperating revenues:			
Property taxes	6,494,557	6,318,443	3%
State appropriations	21,109,700	18,710,100	13%
Government grants	8,143,288	7,503,198	9%
Other	1,120,176	1,342,865	-17%
Total nonoperating revenues	**36,867,721**	**33,874,606**	9%
Total revenues	**47,709,272**	**44,705,267**	7%
Operating expenses:			
Instruction	15,953,269	15,997,371	0%
Academic support	738,181	732,344	1%
Student services	6,988,409	6,572,243	6%
Institutional support	7,373,130	7,179,059	3%
Operation and maintenance of plant	3,838,410	4,180,969	-8%
Scholarships	2,688,384	2,725,587	-1%
Auxiliary enterprises	2,429,921	2,554,518	-5%
Depreciation	2,176,343	2,099,394	4%
Total operating expenses	**42,186,047**	**42,041,485**	0%
Increase in net position	**5,523,225**	**2,663,782**	107%
Net position, beginning of year, as restated	35,209,376	32,545,594	8%
Net position, end of year	**$ 40,732,601**	**$ 35,209,376**	16%

The District restated the fiscal year ended June 30, 2019 other liabilities and unrestricted net position balances because of a correction of misstatement for a prior period adjustment. See Note 2 for additional information.

Statement of Revenues, Expenses, and Changes in Net Position

Graham County Community College District has five major sources of revenue that account for 95% of all revenues. These are state appropriations (44%), government grants (17%), property taxes (14%), government contracts (13%), and tuition and fees (7%).

Total revenue for the District increased by 7%, or $3,004,005. Operating revenues were up less than 1%, or $10,890, due primarily to a decrease in government contracts of $214,075 offset by an increase in tuition and fees and other revenues of $224,965.

Nonoperating revenues increased by 9%, or $2,993,115 due to an increase of property taxes of $176,114, state appropriations of $2,399,600, government grants of $640,090, and a decrease in other revenue of $222,689.

Total operating expenses increased by $144,562, or less than 1%. This reflects a $44,102 decrease in instruction, $5,837 increase in academic support, $194,070 increase in institutional support, $37,203 decrease in scholarships, an increase of $416,166 in student services and $342,559 decrease in operations and maintenance of plant. Aside from depreciation and changes noted above, auxiliary enterprises experienced less than a 5% change.

Capital Assets Administration

As of June 30, 2020, the District's capital assets, net of accumulated depreciation, totaled $35.6 million, a net increase of $583,699. The District had the library reconstruction in process at June 30, 2020 with subsequent completion occurring in September of 2020. Capital assets include land, equipment, buildings, improvements other than buildings, library books, infrastructure, and construction in progress. Additional information on capital assets can be found in Note 4 to the District's financial statements.

Current Factors Having Probable Future Financial Significance

With the passing of the Fair Wages and Healthy Families Initiative for the State of Arizona, also known as Proposition 206, the minimum wage requirements in the state increased to $10 an hour in January of 2017 and increased to $12 an hour in January of 2020. This results in additional financial commitments related to part-time and work-study employment costs. The District will continue to monitor the effects of these increases and the amount of employment hours the District is able to support.

The District has seen a reduction in enrollment associated with the COVID-19 pandemic. Although approved vaccines are available, it is difficult to predict what the outcome will be and we certainly do not have the ability to know the long-term repercussions of the pandemic. The college has taken several steps to address some of the effects of the pandemic. The federal government has awarded grant aid intended for use for colleges and universities directly and students indirectly. In May of 2020, the District was awarded $4.7 million in HEERF funding from the federal government in order to offset financial impacts associated with COVID-19. An additional amount of $2.2 million was also awarded in January 2021.

Recognizing that many students are hesitant to participate in certain learning modalities, the college has implemented several virtual and actual classrooms updates to offer learning opportunities through a variety of sources. Additionally, the college continues to monitor spending in an effort to partially offset the drop in enrollment and associated revenues. Moving forward, the college will continue to review and adjust these plans as we progress through this global crisis.

Graham County Community College District
(Eastern Arizona College)
Statement of Net Position – Primary Government
June 30, 2020

	Business-Type Activities
Assets	
Current assets:	
Cash and cash equivalents	$ 34,476,254
Receivables (net of allowance for uncollectibles):	
Property taxes	392,927
Government grants and contracts	1,922,306
Other	185,740
Inventories	22,753
Total current assets	36,999,980
Noncurrent assets:	
Capital assets, not being depreciated	9,131,081
Capital assets, being depreciated, net	26,470,118
Total noncurrent assets	35,601,199
Total assets	72,601,179
Deferred Outflows of Resources	
Deferred outflows related to pensions	2,714,088
Total deferred outflows of resources	2,714,088
Liabilities	
Current liabilities:	
Accounts payable	633,386
Accrued payroll and employee benefits	686,380
Insurance claims payable	110,704
Deposits held in custody for others	1,139,284
Unearned revenues	10,199
Current portion of compensated absences payable	785,456
Total current liabilities	3,365,409
Noncurrent liabilities:	
Compensated absences payable	1,812,926
Net pension liability	26,295,408
Total noncurrent liabilities	28,108,334
Total liabilities	31,473,743
Deferred Inflows of Resources	
Deferred inflows related to pensions	3,108,923
Total deferred inflows of resources	3,108,923
Net Position	
Net investment in capital assets	35,601,199
Restricted:	
Expendable for workforce development	1,907,671
Unrestricted (deficit)	3,223,731
Total net position	$ 40,732,601

See accompanying notes to financial statements.

Graham County Community College District
(Eastern Arizona College)
Statement of Financial Position—Component Unit
June 30, 2020

		Eastern Arizona College Foundation
Assets		
Cash and cash equivalents	$	253,330
Investments		8,240,906
Property and equipment, net		86,325
Museum collection		221,075
Total assets		**8,801,636**
Liabilities		
Accounts payable		1,000
Accrued expenses		14,866
Liability under split-interest agreements		36,742
Total liabilities		**52,608**
Net Assets		
Without donor restriction		2,513,357
With donor restrictions		6,235,671
Total net assets		**8,749,028**
Total liabilities and net assets	**$**	**8,801,636**

See accompanying notes to financial statements.

Graham County Community College District
(Eastern Arizona College)
Statement of Revenues, Expenses, and Changes in Net Position—Primary Government
Year Ended June 30, 2020

	Business-Type Activities
Operating revenues:	
Tuition and fees (net of scholarship allowances of $3,995,917)	$ 3,500,336
Government contracts	6,262,969
Private contracts	168,962
Food service income (net of scholarship allowances of $524,306)	232,229
Dormitory rentals and fees (net of scholarship allowances of $374,755)	246,241
Other	430,814
Total operating revenues	10,841,551
Operating expenses:	
Educational and general:	
Instruction	15,953,269
Academic support	738,181
Student services	6,988,409
Institutional support	7,373,130
Operation and maintenance of plant	3,838,410
Scholarships	2,688,384
Auxiliary enterprises	2,429,921
Depreciation	2,176,343
Total operating expenses	42,186,047
Operating loss	(31,344,496)
Nonoperating revenues (expenses):	
Property taxes	6,494,557
State appropriations	21,109,700
Government grants	8,143,288
Share of state sales taxes	759,587
Investment earnings	449,308
Loss on disposal of capital assets	(88,719)
Total nonoperating revenues (expenses)	36,867,721
Increase in net position	5,523,225
Net position July 1, 2019, as restated	35,209,376
Net position, June 30, 2020	$ 40,732,601

See accompanying notes to financial statements.

Graham County Community College District
(Eastern Arizona College)
Statement of Activities—Component Unit
Year Ended June 30, 2020

	Eastern Arizona College Foundation		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Foundation revenue	$ 294,758	$ -	$ 294,758
Contributions	23,267	708,540	731,807
Investment income	51,674	135,868	187,542
Net realized and unrealized gains on investments	(8,228)	(6,733)	(14,961)
Change in value of split-interest agreement	-	(7,477)	(7,477)
Total Revenue and Support	361,471	830,198	1,191,669
Net assets released from restrictions:			
Satisfied by scholarship criteria	609,434	(609,434)	-
Total Revenue, Support, and Net Assets Released from Restrictions	970,905	220,764	1,191,669
Expenses and Losses			
Program services:			
Scholarship Awards	648,170	-	648,170
Supporting Activities:			
General and administrative	331,597	-	331,597
Fundraising	22,875	-	22,875
Total Expenses and Losses	1,002,642	-	1,002,642
Change in net assets	(31,737)	220,764	189,027
Net assets at July 1, 2019	2,545,094	6,014,907	8,560,001
Net assets at June 30, 2020	$ 2,513,357	$ 6,235,671	$ 8,749,028

See accompanying notes to financial statements.

Graham County Community College District
(Eastern Arizona College)
Statement of Cash Flows—Primary Government
Year Ended June 30, 2020

	Business-Type Activities
Cash flows from operating activities:	
Tuition and fees	$ 3,500,336
Government contracts	5,868,207
Private contracts	168,962
Food service receipts	232,229
Dormitory rentals and fees	246,241
Other receipts	371,387
Payments to suppliers and providers of goods and services	(7,735,933)
Payments for employee wages and benefits	(30,380,266)
Payments to students for scholarships	(2,661,265)
Net cash used for operating activities	**(30,390,102)**
Cash flows from noncapital financing activities:	
Property taxes	6,464,924
State appropriations	21,109,700
Government grants	8,999,349
Share of state sales taxes	759,587
Deposits held in custody for others received	619,443
Deposits held in custody for others disbursed	(185,239)
Net cash provided by noncapital financing activities	**37,767,764**
Cash flows from capital and related financing activities:	
Proceeds from sale of capital assets	11,580
Payments made to contractors	(1,410,391)
Purchases of capital assets	(1,449,950)
Net cash used for capital and related financing activities	**(2,848,761)**
Cash flows from investing activities:	
Interest received on investments	449,308
Net cash provided by investing activities	**449,308**
Net Increase in cash and cash equivalents	**4,978,209**
Cash and cash equivalents, July 1, 2019	29,498,045
Cash and cash equivalents, June 30, 2020	**$ 34,476,254**

(Continued)

See accompanying notes to financial statements.

Graham County Community College District
(Eastern Arizona College)
Statement of Cash Flows—Primary Government
Year Ended June 30, 2020
(Continued)

Reconciliation of operating loss to net cash used for operating activities:	**Business-Type Activities**
Operating loss	$ (31,344,496)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	2,176,343
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
Net pension liability	(590,618)
Deferred outflows of resources related to pensions	896,370
Deferred inflows of resources related to pensions	(1,031,599)
Accounts payable	273,560
Government grants and contracts receivable	(394,762)
Other receivables	(59,426)
Compensated absences payable	(82,695)
Insurance claims payable	(226,607)
Inventories	(8,637)
Accrued payroll and employee benefits	2,465
Net cash used for operating activities	**$ (30,390,102)**

See accompanying notes to financial statements.

Graham County Community College District
(Eastern Arizona College)
Notes to financial statements
June 30, 2020

Note 1 - Summary of Significant Accounting Policies

Graham County Community College District's accounting policies conform to generally accepted accounting principles applicable to public institutions engaged only in business-type activities adopted by the Governmental Accounting Standards Board (GASB).

A. Reporting Entity

The District is a special-purpose government that a separately elected governing body governs. It is legally separate and fiscally independent of other state and local governments. The accompanying financial statements present the activities of the District (the primary government) and its discretely presented component unit, the Eastern Arizona College Foundation.

The Eastern Arizona College Foundation is a legally separate, tax-exempt organization. It acts primarily as a fund-raising organization that receives gifts and bequests, administers those resources, and disburses payments to or on behalf of the District for scholarships and programs. Although the District does not control the timing or amount of receipts from the Foundation, the Foundation's restricted resources can only be used by or for the benefit of the District or its constituents. Consequently, the Foundation is considered a component unit of the District and is discretely presented in the District's financial statements.

For financial reporting purposes, the Foundation follows the Financial Accounting Standards Board statements for not-for-profit organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information included in the District's financial report. Accordingly, those financial statements have been reported on separate pages following the District's respective counterpart financial statements. For financial reporting purposes, only the Foundation's statements of financial position and activities are included in the District's financial statements as required by generally accepted accounting principles for public colleges and universities. The Foundation has a June 30 year-end.

During the year ended June 30, 2020, the Foundation distributed $667,432 to the District for both restricted and unrestricted purposes, including administrative and program support and scholarships. In addition, the District paid the Foundation $258,000 under a contract for services to develop, coordinate, manage, and administer fundraising and alumni involvement programs for the District. Complete financial statements for the Foundation can be obtained from the Eastern Arizona College Foundation, 615 N. Stadium Ave., Thatcher, Arizona 85552.

B. Basis of Presentation and Accounting

The financial statements include a statement of net position; a statement of revenues, expenses, and changes in net position; and a statement of cash flows.

A statement of net position provides information about the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at the end of the year. Assets and liabilities are classified as either current or noncurrent. Net position is classified according to external donor restrictions or availability of assets to satisfy the District's obligations. Net investment in capital assets represents the value of capital assets, net of accumulated depreciation. Expendable restricted net position represents grants, contracts, gifts, and other resources that have been externally restricted for specific purposes. Unrestricted net position consists of all other resources, including those that have been designated by management to be used for other than general operating purposes.

A statement of revenues, expenses, and changes in net position provides information about the District's financial activities during the year. Revenues and expenses are classified as either operating or nonoperating, and all changes in net position are reported. Operating revenues and expenses generally result from exchange transactions such as providing instructional, public, and nonauxiliary services, which is consistent with the District's mission. Accordingly, revenues such as tuition, government contracts, food service, and dormitory charges, in which each party receives and gives up essentially equal values, are considered operating revenues. Other revenues, such as property taxes, state appropriations, and government grants are not generated from operations and are considered nonoperating revenues. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets.

A statement of cash flows provides information about the District's sources and uses of cash and cash equivalents during the year. Increases and decreases in cash and cash equivalents are classified as either operating, noncapital financing, capital financing, or investing.

The financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. State appropriations are recognized as revenue in the year in which the appropriation is first made available for use. Grants and donations are recognized as revenue as soon as all eligibility requirements the provider imposed have been met.

The District eliminates all internal activity. It is the District's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

C. Cash and Investments

For the statement of cash flows, the District's cash and cash equivalents are considered to be cash on hand, demand deposits, and investments in the State Treasurer's Local Government Investment Pool with a maturity of three months or less when purchased. All investments are stated at fair value.

D. Inventories

All inventories are stated at the lower of cost (first-in, first-out method) or market.

E. Capital Assets

Capital assets of the District consist of land, buildings, improvements other than buildings, equipment, library materials, infrastructure, and construction in progress. Capital assets are reported at actual cost. Donated assets are reported at acquisition value. Major outlays for assets or improvements to assets are capitalized as projects are constructed. These are categorized as construction in progress until completed, at which time they are reclassified to the appropriate asset category.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the financial statements are as follows:

Asset Category	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	$1	Not applicable	Not applicable
Buildings	$5,000	Straight-line	15-40 years
Improvements other than buildings	$5,000	Straight-line	5-25 years
Equipment	$5,000	Straight-line	5-15 years
Library materials	$1	Straight-line	10 years
Infrastructure	$5,000	Straight-line	50-75 years

F. Deferred Outflows and Inflows of Resources

The statement of net position includes separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods that will be recognized as an expense in future periods. Deferred inflows of resources represent an acquisition of net position that applies to future periods and will be recognized as a revenue in future periods.

G. Postemployment benefits

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

H. Investment Earnings

Investment earnings are composed of interest.

I. Scholarship Allowances

A scholarship allowance is the difference between the stated charge for goods and services the District provides and the amount that the student or third parties making payments on the student's behalf pays. Accordingly, some types of student financial aid, such as Pell grants and scholarships the District awards, are considered scholarship allowances. These allowances are netted against tuition and fees, food service income, and dormitory rentals and fees revenues, in the statement of revenues, expenses, and changes in net position.

J. Compensated Absences

Compensated absences payable consists of vacation leave and a calculated amount of sick leave employees earned based on services already rendered.

Employees may earn and accumulate vacation days according to their employment position and years of service. Vacation days earned per month range from .83 to 1.83 with a maximum accumulation ranging between 24 and 44 days. Vacation days in excess of the maximums are forfeited at the end of each month. Upon terminating employment, the District pays all unused and unforfeited vacation benefits to employees. Accordingly, vacation benefits are accrued as a liability in the financial statements.

Generally, sick leave benefits provide for ordinary sick pay and are cumulative but do not vest with employees. Therefore, a liability for sick leave benefits is not accrued in the financial statements. However, for employees who meet certain requirements under the District's option plan, sick leave benefits do vest. The option provides payment up to the maximum of 100 days of accrued sick days multiplied by the employee's daily rate for employees who have at least 10 years of service and qualify for normal retirement, disability, or death benefit. An estimate of that amount is accrued as a liability in the financial statements.

Note 2 – Correction of Misstatement - Prior Period Adjustment

The insurance claims payable liability as of June 30, 2019, incorrectly included reserves of $1,249,829 that the District had set aside to cover potential future insurance claims that had not been, and are not now expected, to be incurred. Accordingly, the District restated the applicable beginning of the year and end of the year claims payable balances for these misstatements as shown in Note 6 and restated net position as of July 1, 2019, as follows:

Net position as previously reported at June 30, 2019	33,959,547
Correction of misstatement	1,249,829
Net position as restated July 1, 2019	35,209,376

Note 3 - Deposits and Investments

Arizona Revised Statutes (A.R.S.) requires the District to deposit special tax levies for the District's maintenance or capital outlay with the County Treasurer. A.R.S. does not require the District to deposit other public monies in its custody with the County Treasurer; however, the District must act as a prudent person dealing with another's property when making investment decisions about those monies. A.R.S. requires collateral for deposits at 102 percent of all deposits not covered by federal depository insurance. A.R.S. does not include any requirements for credit risk, concentration of credit risk, interest rate risk, or foreign currency risk for the District's investments.

Deposits—At June 30, 2020, the carrying amount of the District's deposits was $1,016,277 and the bank balance was $1,795,606. The District does not have a formal policy with respect to custodial credit risk of deposits.

Investments—At June 30, 2020, the fair value of the District's share of the State Treasurer's Local Government Investment Pool 7 was $33,450,977. Investments in the State Treasurer's investment pools are valued at the pool's share price multiplied by the number of shares the District held. The fair value of a participant's position in the pool approximates the value of that participant's pool shares. The State Board of Investment provides oversight for the State Treasurer's investment pools.

Credit risk—Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The District does not have a formal investment policy regarding credit risk. The State Treasurer's Local Government Investment Pool 7 is unrated.

Interest rate risk—Interest rate risk is the risk that changes in interest rates will adversely affect an investment's fair value. The District does not have a formal policy regarding interest rate risk. At June 30, 2020, the District's investment in the State Treasurer's Local Government Investment Pool 7 had a weighted average maturity of 43 days.

A reconciliation of cash, deposits, and investments to amounts shown on the Statement of Net Position follows:

Cash, Deposits, and Investments	Amount
Cash on Hand	$ 9,000
Deposits	1,016,277
Investments	33,450,977
Total cash and cash equivalents	$ 34,476,254

Note 4 – Capital Assets

Capital asset activity for the year ended June 30, 2020, was as follows:

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
Capital assets not being depreciated:				
Land	7,717,343	-	-	7,717,343
Construction in progress	139,543	1,410,391	(136,196)	1,413,738
Total capital assets not being depreciated	7,856,886	1,410,391	(136,196)	9,131,081
Capital assets being depreciated:				
Infrastructure	26,827	-	-	26,827
Buildings	48,012,180	-	(147,057)	47,865,123
Equipment	16,013,847	823,074	(671,718)	16,165,203
Improvements other than buildings	2,904,710	712,229	(25,070)	3,591,869
Library materials	524,332	50,843	(261,438)	313,737
Total capital assets being depreciated	67,481,896	1,586,146	(1,105,283)	67,962,759
Less accumulated depreciation for:				
Infrastructure	(2,327)	(537)	-	(2,864)
Buildings	(25,252,136)	(1,063,446)	137,460	(26,178,122)
Equipment	(12,422,370)	(979,681)	661,960	(12,740,091)
Improvements other than buildings	(2,419,780)	(84,746)	8,914	(2,495,612)
Library materials	(224,669)	(47,933)	196,650	(75,952)
Total accumulated depreciation	(40,321,282)	(2,176,343)	1,004,984	(41,492,641)
Total capital assets being depreciated, net	27,160,614	(590,197)	(100,299)	26,470,118
Capital assets, net	35,017,500	820,194	(236,495)	35,601,199

Note 5 – Long-Term Liabilities

The following schedule details the District's long-term liability and obligation activity for the year ended June 30, 2020:

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Due within one year
Net pension liability	$ 26,886,026		$ 590,618	$ 26,295,408	
Compensated absences payable	2,681,077	1,490,103	$ 1,572,798	2,598,382	785,456
Total long-term liabilities	$ 29,567,103	$ 1,490,103	$ 2,163,416	$ 28,893,790	$ 785,456

Note 6 - Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District participates in the Arizona School Risk Retention Trust, Inc., a public-entity risk pool. The Trust insures the District against liabilities arising from general liability, professional liability, property, automobile, boiler and machinery, and commercial crime risks. The Trust's operating agreement includes a provision for the member to be charged an additional assessment in the event that total claims paid by the Trust exceed the members' contributions and reserves in any 1 year. The District will be charged for any such assessment in the following year. The District has never been charged such an assessment. The District also carries commercial insurance for other risks of loss, including: workers' compensation, intercollegiate athletic injury liability, and student professional liability. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past 3 fiscal years.

The District finances uninsured risks of loss for medical benefits to eligible employees and their dependents. The healthcare plan provides coverage for amounts up to $100,000 per insured individual. The District purchases commercial insurance for claims in excess of this limit and performs analysis to determine the required annual funding based upon anticipated utilization, cost trends, and benefit levels. Independent administrators provide claim and recordkeeping services for the self-insured plan.

The insurance claims payable, of $110,704 at June 30, 2020, includes the amount payable for medical benefits. It is the estimated cost of settling claims that have been incurred and estimated future claims that may occur. Changes in the District's medical benefits payable for the years ended June 30, 2020 and 2019, are as follows:

Medical benefits:	2020	2019
Claims payable, beginning of year (as restated)	$ 337,311	$ 92,718
Current year actual and estimated claims	2,968,192	3,347,315
Less: Claims payments	3,194,799	3,102,722
Estimated claims payable, end of year (restated for June 30, 2019)	$ 110,704	$ 337,311

The 2020 and 2019 beginning of the year claims payable balances were each restated to remove the incorrect reserves of $1,249,829 and $1,372,814 respectively. See Note 2 for additional information.

Note 7 - Pension

Plan description - District employees participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 2. The ASRS is a component unit of the State of Arizona. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at www.azasrs.gov.

Benefits provided - The ASRS provides retirement and survivor benefits. State statute establishes benefit terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	Retirement Initial membership date: Before July 1, 2011	On or after July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years, age 62 5 years, age 50* any years, age 65	30 years, age 55 25 years, age 60 10 years, age 62 5 years, age 50* any years, age 65
Final average salary is based on	Highest 36 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

*With actuarially reduced benefits.

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earning. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the retirement benefit option chosen determines the survivor benefit. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

Contributions - In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2020, statute required active ASRS members to contribute at the actuarially determined rate of 11.94 percent of the members' annual covered payroll, and statute required the District to contribute at the actuarially determined rate of 11.45 percent of the active members' annual covered payroll. In addition, the District was required by statute to contribute at the actuarially determined rate of 10.29 percent of annual covered payroll of retired members who worked for the District in positions that an employee who contributes to the ASRS would typically fill. The District's contributions to the pension plan for the year ended June 30, 2020, were $2,127,903.

Pension liability - At June 30, 2020, the District reported a liability of $26,295,408 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2018, to the measurement date of June 30, 2019.

The District's proportion of the net pension liability was based on the District's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2019. The District's proportion measured as of June 30, 2019 was 0.18071 percent, which was a decrease of 0.01207 from its proportion measured as of June 30, 2018.

Pension expense and deferred outflows/inflows of resources - For the year ended June 30, 2020, the District recognized pension expense for ASRS of $1,402,057.

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 475,033	$ 4,944
Changes of assumptions or other inputs	111,152	1,047,135
Net difference between projected and actual earnings on pension plan investments		591,030
Changes in proportion and differences between district contributions and proportionate share of contributions	-	1,465,814
District contributions subsequent to the measurement date	2,127,903	-
Total	$ 2,714,088	$ 3,108,923

The $2,127,903 reported as deferred outflows of resources related to ASRS pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Year ending June 30	
2021	$ (1,310,040)
2022	(1,257,489)
2023	(113,503)
2024	158,294

Actuarial assumptions - The significant actuarial assumptions used to measure the total pension liability are as follows:

Actuarial valuation date	June 30, 2018
Actuarial roll forward date	June 30, 2019
Actuarial cost method	Entry age normal
Investment rate of return	7.5%
Projected salary increases	2.7-7.2%
Inflation	2.3%
Permanent benefit increase	Included
Mortality rates	2017 SRA Scale U-MP

Actuarial assumptions used in the June 30, 2018, valuations were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

The long-term expected rate of return on ASRS plan investments was determined to be 7.5 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
Equity	50%	6.09%
Credit	20%	5.36%
Interest Rate Sensitive Bonds	10%	1.62%
Real estate	20%	5.85%
Total	100%	

Discount rate – The discount rate used to measure the ASRS total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the ASRS net pension liability to changes in the discount rate - The following table presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	$ 37,424,456	$ 26,295,408	$ 16,994,387

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued ASRS financial report.

Pension contributions payable - The District's accrued payroll and employee benefits included $73,013 of outstanding pension contribution amounts payable to ASRS for the year ended June 30, 2020.

Note 8 – Operating Expenses

The District's operating expenses are presented by functional classification in the Statement of Revenues, Expenses, and Changes in Net Position - Primary Government. The operating expenses can also be classified into the following:

Personnel services	$ 28,608,613
Contract services	2,271,745
Supplies and other services	2,815,662
Communications and utilities	1,418,610
Scholarships	2,688,384
Depreciation	2,176,343
Other	2,206,690
Total	$ 42,186,047

Note 9 – Discretely Presented Component Unit Disclosures

The District's discretely presented component unit is comprised of the Eastern Arizona College Foundation.

A. Nature of Activities and Significant Accounting Policies

The primary objective of the Eastern Arizona College Foundation is to create a positive environment in which to cultivate gifts to Eastern Arizona College, located in Thatcher, Arizona. The Foundation funds its activities primarily through contributions and investment income. The primary source of Foundation revenue is alumni and friends of Eastern Arizona College as well as the College itself.

The financial statements of the Foundation have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

The Foundation reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and a board-designated endowment. Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, such as those that the donor stipulates that resources be maintained in perpetuity.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Foundation, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

The Foundation’s unspent contributions are reported in net assets with donor contributions if the donor limited their use, as are promised contributions that are not yet due. Contributions of property and equipment or cash restricted to acquisition of property and equipment are reported as net assets with donor restrictions if the donor has restricted the use of the property or equipment to a particular program. These restrictions expire when the assets are placed in service.

The Foundation's donor-restricted endowment funds, including the unspent appreciation of the endowment fund and the portion of the Foundation's donor-restricted endowment funds that the Foundation is committed to maintaining in perpetuity are classified in net assets with donor restrictions, as is the Foundation's beneficial interest in a perpetual charitable trust held by a bank as trustee.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. On an ongoing basis, management evaluates the estimates and assumptions based on new information. Management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

For purposes of the Statement of Cash Flows, the Foundation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents, unless the investments are held for meeting restrictions for purchase of property and equipment, payment of long-term debt, or endowment.

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. Short-term investments consist of debt securities with original maturities of twelve months or less. Long-term investments consist of debt securities with original maturities greater than twelve months.

Property and equipment are recorded at cost. Depreciation is recorded using the straight-line method. Expenditures for repairs and maintenance are charged to expense as incurred. Expenditures for additions and betterments are capitalized and depreciated over the estimated remaining useful life of the related asset. Gains and losses on sales and retirements are reflected in income during the year of actual sale or retirement.

Donations of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Foundation reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair value at the date of donation.

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. Contributions of property and equipment are reported as net assets with donor restrictions if the donor restricted the use of the property or equipment to a particular program, as are contributions of cash restricted to the purchase of property and equipment. Otherwise, donor restrictions on contributions of property and equipment or assets restricted for purchase of property and equipment are considered to expire when the assets are placed in service.

All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends, or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

The costs of providing the various programs and other activities of the Foundation are summarized on a functional basis in the accompanying consolidated statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Directly identifiable expenses are charged to the applicable program and supporting services. Expenses related to more than one function are allocated among the programs and supporting services benefited. Management and general expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Foundation.

The Foundation is exempt from income taxes as a non-profit corporation under Internal Revenue Code and, accordingly, the financial statements do not reflect a provision for income taxes. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(l)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

B. Liquidity

Financial Assets available for general expenditure, that is without donor or other restrictions limiting their use, within one year of the statement of financial position date comprise the following:

Financial assets at year end	$ 8,494,236
Less those unavailable for general expenditures within one year	
Donor imposed restrictions	
Donor Restricted to scholarships	(6,159,010)
Investment held in gift annuity	(100,590)
Board designations	
Quasi-endowment fund	(1,798,043)
Financial assets available for general use within one year	$ 436,593

C. Investments

Investments consist primarily of marketable securities. Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income in the Statement of Activities is reported net of investment expenses, such as custodial and advisory fees, of $55,374.

Accounting principles generally accepted in the United State of America establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 - Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or by other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Investments at June 30, 2020, were comprised of the following:

	Level 1	Level 2	Level 3	Total
Corporate bonds	$ -	$ 100,590	$ -	$ 100,590
Managed investment account				
Money market funds	290,450	-	-	290,450
Government securities	-	188,929	-	188,929
Corporate bonds	-	201,548	-	201,548
Municipal bonds	-	138,288	-	138,288
Equities	2,967,010	-	-	2,967,010
Equity mutual funds	3,922,776	-	-	3,922,776
Alternative investments	-	-	431,315	431,315
	7,180,236	629,355	431,315	8,240,906

D. Property and Equipment

Property and equipment at June 30, 2020, are summarized as follows:

Real estate	86,325
Less accumulated depreciation	-
	$ 86,325

There was no depreciation expense for the year ended June 30, 2020.

E. Museum Collection

Collections, which consist entirely of the museum collection of Native American artifacts, are stated at appraised market value at date of acquisition. The Foundation is responsible for the maintenance and preservation of the collection.

F. Split-Interest Gift Annuity

During 2015 the Foundation was the recipient of a gift annuity. Under the terms of the gift annuity the donor will be paid $6,300 annually for the remainder of the joint annuitants' natural lives. At the end of the annuity the remaining assets are available for the Foundation's use. Assets held for the annuity are reported at fair value and at June 30, 2020, totaled $104,154 (consisting of cash and marketable securities of $3,564 and $100,590, respectively). Fair value measurements at the reporting date are determined using quoted prices in active markets (Level 1 fair value hierarchy). On an annual basis, the Foundation revalues the annuity liability to make distributions to the annuitant based on actuarial assumptions. The present value of the estimated future payments ($36,742 at June 30, 2020) is calculated using the trust rate of 9% and applicable mortality tables.

G. Endowments

The Foundation's endowments consist of both donor-restricted contributions and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

As of June 30, 2020, the Board of Directors has designated $1,798,043 of net assets without donor restrictions as a general endowment fund to support the mission of the Foundation. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as net assets without donor restrictions.

The Foundation has interpreted the Arizona Management of Charitable Funds Act (MCFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor- restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by MCFA. In accordance with MCFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent rate of return.

The Foundation has a policy of appropriating for distribution each year a portion of the realized income from the endowment. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment income.

The endowment net asset composition by type of fund as of June 30, 2020, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 6,226,421	$ 6,226,421
Board-designated endowment funds	1,798,043	-	1,798,043
	$ 1,798,043	$ 6,226,421	$ 8,024,464

Changes in endowment net assets for the year ending June 30, 2020, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning	$1,824,041	$6,075,485	$7,899,526
Contributions	-	708,540	$708,540
Investment income	42,298	135,868	$178,166
Net unrealized gain (loss) on investments	2,951	(6,733)	(3,782)
Change in split-interest agreements	-	(7,477)	(7,477)
Appropriated for expenditure	-	(690,795)	(690,795)
Transfers	(71,247)	11,533	(59,714)
Endowment net assets, ending	$1,798,043	$6,226,421	$8,024,464

H. Net Assets with Donor Restrictions

Restricted net assets are available for the following purposes:

Scholarships	$ 6,168,259
Split-interest gift annuities	67,412
	$ 6,235,671

I. Concentrations

The Foundation maintains cash and cash equivalents at banks and other financial institutions located in Arizona, Massachusetts, and New York which throughout the year may exceed federally insured deposit limits.

The Foundation's investments in marketable securities are under the management of Edward Jones of Maryland Heights, Missouri. The managed investment account is managed by Merrill Lynch of New York, New York.

Graham County Community College District
(Eastern Arizona College)
Required supplementary information
Schedule of the District's Proportionate Share of the Net Pension Liability
June 30, 2020

Arizona State Retirement System

	Reporting Fiscal Year (Measurement Date)						
	2020 (2019)	**2019 (2018)**	**2018 (2017)**	**2017 (2016)**	**2016 (2015)**	**2015 (2014)**	**2014 through 2010**
District's proportion of the net pension liability	0.180710%	0.192780%	0.196470%	0.205850%	0.203200%	0.203913%	Information
District's proportionate share of the net pension liability	$ 26,295,408	$ 26,886,026	$ 30,606,196	$ 33,226,258	$ 31,650,974	$ 30,172,192	not available
District's covered payroll	$ 19,269,010	$ 19,716,720	$ 19,734,192	$ 19,774,535	$ 19,067,413	$ 19,043,860	
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	136.46%	136.36%	155.09%	168.03%	166.00%	158.44%	
Plan fiduciary net position as a percentage of the total pension liability	73.24%	73.40%	69.92%	67.06%	68.35%	69.49%	

GRAHAM COUNTY COMMUNITY COLLEGE DISTRICT
(EASTERN ARIZONA COLLEGE)
Schedule of the District's pension contributions
Required supplementary information
Year Ended June 30, 2020

Arizona State Retirement System

	Reporting Fiscal Year				
	2020	**2019**	**2018**	**2017**	**2016**
Statutorily required contribution	$ 2,127,903	$ 2,131,032	$ 2,086,307	$ 2,064,797	$ 2,091,140
District's contributions in relation to the statutorily required contribution	2,127,903	2,131,032	2,086,307	2,064,797	2,091,140
District's contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 18,870,256	$ 19,269,010	$ 19,716,720	$ 19,734,192	$ 19,774,535
District's contributions as a percentage of covered payroll	11.28%	11.06%	10.58%	10.46%	10.57%

	2015	**2014**	**2013**	**2012**	**2011**
Statutorily required contribution	$ 2,033,427	$ 1,979,071	$ 1,830,603	$ 1,534,238	$ 1,343,843
District's contributions in relation to the statutorily required contribution	2,033,427	1,979,071	1,830,603	1,534,238	1,343,843
District's contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 19,067,413	$ 19,043,860	$ 18,320,229	$ 15,517,223	$ 14,920,366
District's contributions as a percentage of covered payroll	10.66%	10.39%	9.99%	9.89%	9.01%

See accompanying notes to schedule.

Supplementary Information

GRAHAM COUNTY COMMUNITY COLLEGE DISTRICT
(EASTERN ARIZONA COLLEGE)
Schedule of expenditures of federal awards
Year Ended June 30, 2020

Federal Agency/Assistance Number	Federal program name	Additional Award Identification	Cluster title	Pass-through grantor	Pass-through grantor's number	Program expenditures
National Science Foundation						
47 041	Engineering Grants					23,054
47 076	Education and Human Resources			Arizona Science Center	DRL - 1612555 & 1902599	80,748
	Total National Science Foundation					103,802
Small Business Administration						
59 037	Small Business Development Centers			Maricopa County Community College District	SBAHQ-19-B-0026 SBAHQ-20-B-0074	132,306
Department of Education						
84 033	Federal Work-Study Program		Student Financial Assistance Cluster			208,134
84 007	Federal Supplemental Educational Opportunity Grants		Student Financial Assistance Cluster			103,578
84 063	Federal Pell Grant Program		Student Financial Assistance Cluster			4,234,492
	Total Student Financial Assistance Cluster					4,546,204
84 031	Strengthening Institutions Program					748,018
84 048	Career and Technical Education—Basic Grants to States			Arizona Department of Education	20FCTDBG-012241-20A	258,124
84 334	Gaining Early Aw areness and Readiness for Undergraduate Programs					1,935,199
84 425F	Education Stabilization Fund	COVID-19				114,209
84 425E	Education Stabilization Fund	COVID-19				192,600
	Total Edcuation Stabilization Fund					*306,809*
	Total Department of Education					7,794,354
	Total expenditures					$ 8,030,462

See accompanying notes to schedule.

GRAHAM COUNTY COMMUNITY COLLEGE DISTRICT
(EASTERN ARIZONA COLLEGE)
Notes to schedule of expenditures of federal awards
Year Ended June 30, 2020

Note 1 - Basis of presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Graham County Community College District for the year ended June 30, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Note 2 - Summary of significant accounting policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 3 - Federal Assistance Listing Numbers

The program titles and Federal Assistance Listings numbers were obtained from the federal or pass-through grantor or the 2020 *Federal Assistance Listings*.

Note 4 - Indirect cost rate

The District did not elect to use the 10 percent de minimis indirect cost rate as covered in 2 CFR §200.414.

Graham County
Community College District
(Eastern Arizona College)
Single Audit Section
June 30, 2020

LINDSEY A. PERRY
AUDITOR GENERAL

ARIZONA
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

Independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of basic financial statements performed in accordance with *Government Auditing Standards*

Members of the Arizona State Legislature

The Governing Board of
Graham County Community College District

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and discretely presented component unit of Graham County Community College District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 29, 2021. Our report includes a reference to other auditors who audited the financial statements of the Eastern Arizona College Foundation, the discretely presented component unit, as described in our report on the District's financial statements. The Foundation's financial statements were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Foundation.

Internal control over financial reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's basic financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

2910 N 44th St., Ste. 410 • PHOENIX, AZ 85018-7271 • (602) 553-0333 • WWW.AZAUDITOR.GOV

Compliance and other matters

As part of obtaining reasonable assurance about whether the District's basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lindsey A. Perry

Lindsey A. Perry, CPA, CFE
Auditor General

April 29, 2021

LINDSEY A. PERRY
AUDITOR GENERAL

ARIZONA
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

Independent auditors' report on compliance for each major federal program and report on internal control over compliance

Members of the Arizona State Legislature

The Governing Board of
Graham County Community College District

Report on compliance for each major federal program

We have audited Graham County Community College District's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on each major federal program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on internal control over compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Lindsey A. Perry

Lindsey A. Perry, CPA, CFE
Auditor General

April 29, 2021

Summary of auditors' results

Financial statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with generally accepted accounting principles	**Unmodified**
Internal control over financial reporting	
Material weaknesses identified?	**No**
Significant deficiencies identified?	**None reported**
Noncompliance material to the financial statements noted?	**No**

Federal awards

Internal control over major programs	
Material weaknesses identified?	**No**
Significant deficiencies identified?	**None reported**
Type of auditors' report issued on compliance for major programs	**Unmodified**
Any audit findings disclosed that are required to be reported in accordance with 2 CFR §200.516(a)?	**No**

Identification of major programs

CFDA number	Name of federal program or cluster
	Student Financial Assistance Cluster
84.007	Federal Supplemental Educational Opportunity Grants
84.033	Federal Work-Study Program
84.063	Federal Pell Grant Program
84.425	Education Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B programs	**$750,000**
Auditee qualified as low-risk auditee?	**No**

EASTERN ARIZONA COLLEGE

April 29, 2021

Lindsey Perry
Auditor General
2910 N. 44th St., Ste. 410
Phoenix, AZ 85018

Dear Ms. Perry:

We have prepared the accompanying summary schedule of prior audit findings as required by the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Specifically, we are reporting the status of audit findings included in the prior audit's schedule of findings and questioned costs. This schedule also includes the status of audit findings reported in the prior audit's summary of schedule of prior audit findings that were not corrected.

Sincerely,

Troy Ainsworth, MBA, FP&A
Director of Fiscal Control

Graham County Community College District
(Eastern Arizona College)
Summary schedule of prior audit findings
Year Ended June 30, 2020

Status of financial statement findings

Managing Risk
Finding no.: 2019-01, 2018-01, 2017-01
Status: Fully Corrected

Information Technology (IT) controls – access, configuration, and change management, and security
Finding no.: 2019-02 and 2018-02, 2017-03 (access), 2017-04 (configuration and change management
Status: Fully Corrected

Status of federal findings

Federal award findings and questioned costs
Finding no.: 2019-101, 2018-101, 2017-101, 2016-101, and 2015-101
Status: Fully Corrected

Federal award findings and questioned costs
Finding no.: 2019-102
Status: Fully Corrected